

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL NOTE**

HB 3353 - SB 3598

March 12, 2010

SUMMARY OF BILL: Effective February 1, 2011, creates a Procurement Commission (Commission), an Advisory Council on State Procurement (Council), and a Procurement Office. The seven-member Commission is required to prescribe standards, rules, policies, and procedures governing the procurement, contracting, management, control, and disposal of all supplies and services by the state. The Commission is authorized to hear protests related to the procurement process. The 12-member Council is required to meet at least twice per year to discuss problems and provide recommendations for the improvement of the procurement process in the state. The Council will consist of five voting members representing various state agencies and seven non-voting members representing the bidder and vendor communities. The Council will provide comment on any changes to law, standards, rules, policies, and procedures proposed by the General Assembly or the procurement office. The Procurement Office will be led by a Chief Procurement Officer (CPO) who is appointed to a five-year term by the Commission. This office will be administratively tied to the Department of General Services (DGS) but will be held responsible to the Commission. Requires the CPO to establish centralized procurement management, grant management, contract performance, quality assurance, and bidder and vendor relations management offices. Requires the CPO to develop and maintain a central grant and sub-grant recipient database. Authorizes the Comptroller to examine and approve all procurements, contracts, grants, and other documents that would potentially incur financial obligations against the state. Requires that all requests to procure goods or services by non-competitive contract must be filed with the Fiscal Review Committee (FRC), the Comptroller, and the CPO simultaneously. Establishes criteria for FRC review of any non-competitive contracts and competitive or non-competitive amendments. Requires the State Building Commission (SBC) and the Department of Transportation (TDOT) to file a report with FRC of all contracts awarded that would meet the submittal requirements within 30 days of award date. Effective July 1, 2011, requires the Office of Bidder and Vendor Relations to establish a public internet Web site in order to post all procurement opportunities and actions.

ESTIMATED FISCAL IMPACT:

On February 22, 2010, we issued a fiscal note indicating an *increase in state expenditures of \$1,083,500 for FY10-11, and \$1,933,800 for FY11-12 and Subsequent Years with an Other Fiscal Impact for a shift in payroll and operational costs of \$8,024,000 which includes 69 positions (\$6,304,000) within the Divisions of Purchasing and Property Utilization within the Department of General Services and 19 positions (\$1,720,000) from the Division of Resource Development and Support and the Office of Information Resources within the Department of Finance and Administration. This shift in allocations will not result in an increase to state*

HB 3353 - SB 3598 (CORRECTED)

expenditures. Based on further review and additional information, the fiscal impact of the bill is as follows:

(CORRECTED)

Increase State Expenditures - \$419,200/FY10-11

\$806,400/FY11-12 and Subsequent Years

Other Fiscal Impact – There will be a shift in payroll and operational costs of \$8,024,000 which includes 69 positions (\$6,304,000) within the Divisions of Purchasing and Property Utilization within the Department of General Services and 19 positions (\$1,720,000) from the Division of Resource Development and Support and the Office for Information Resources within the Department of Finance and Administration. This shift in allocations will not result in an increase to state expenditures.

Assumptions:

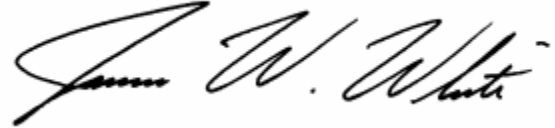
- The Procurement Commission will meet at least once per year. Recurring increase in state expenditures for per diem for the Speakers of the House of Representatives and Senate as well as per diem for the professional member is estimated to be \$555 (\$185 x 3) for each one-day meeting. Total recurring increase in state expenditures is estimated to be \$555.
- The Procurement Council will meet at least twice per year in Nashville. The five voting members of the Council will not receive travel reimbursements as they will represent offices located in Nashville. Recurring increase in state expenditures for travel reimbursement for seven non-voting members of the council representing the bidder and vendor community is estimated to be \$1,081.08 (\$154.44 mileage x 7 members) for each meeting for a total recurring increase in state expenditures in FY11-12 and subsequent years of \$2,162.16 (\$1,081 x 2). Given the February 1, 2011 effective date of this bill, the increase in expenditures for FY10-11 is estimated to be \$1,081.08 for one meeting.
- According to F & A, there will be a one-time increase in expenditures for the development of the grant and sub-grant recipient database that will equal \$80,000.
- According to DGS and the Office of the Comptroller, the procurement office will consist of the Office of the CPO, the Contracts Management Office, the Central Grants Management Office, the Contract Performance and Quality Assurance Office, and the Central Bidder and Vendor Relations Office in addition to the current Purchasing Division, Property Utilization, Resource Development and Support, and Office of Information Resources offices which will transfer from DGS and the Department of Finance and Administration (F & A) respectively.
- All recurring costs are figured at 42 percent in FY10-11 due to the effective date of February 1, 2011. This calculation represents the remaining five months in the first fiscal year.
- The Office of the CPO will consist of four staff members to include the CPO, Deputy CPO, Chief Procurement Oversight Officer and one administrative assistant. The recurring state expenditures for FY11-12 and subsequent years for the Office of the CPO total \$580,166 which includes salaries (\$345,706), benefits (\$194,460), and operational

supplies (\$40,000). Given the February 1, 2011, effective date of this bill, the estimated increase for FY10-11 is \$243,669.72 (\$580,166 x 42%).

- According to the Comptroller of the Treasury, in order to meet the additional review requirements of this bill there will be the need for an additional three positions within the Comptroller's office at a total recurring cost of \$223,518 which includes salaries and benefits (\$193,518) and operational supplies (\$30,000). Given the February 1, 2011, effective date of this bill, the estimated increase for FY10-11 is \$93,877.56 (\$223,518 x 42%).
- There will be a not significant increase in state expenditures for the provision of contracting reports to FRC by SBC and TDOT.
- There will be a not significant increase in state expenditures for the expanded review of contracting documents by the FRC.
- There will be a total of 7 new positions and a shift of 88 positions from the Departments of General Services and Finance and Administration to the newly created procurement office as a result of the implementation of this bill.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/sdl